DISCOVERY FOUNDERS' FUND

DISCOVERY FUNDS MANAGEMENT

Monthly Report for August 2026

For wholesale investors only – not for retail distribution

PORTFOLIO MANAGERS

CHRIS BAINBRIDGE
Founder and Portfolio Manager

MARK DEVCICH
Founder and Portfolio Manager

NET PERFORMANCE	1 MONTH	6 MONTHS	1 YEAR	2 YEAR (P.A)	SINCE INCEPTION (P.A)	SINCE INCEPTION (TOTAL)
Discovery Founders' Fund*	3.7%	-3.3%	-29.3%	2.7%	25.8%	146.3%
Index (NZD)**	6.6%	-4.4%	7.9%	16.7%	12.1%	56.8%
Outperformance	-2.9%	1.1%	-37.2%	-14.0%	13.7%	89.5%

*Performance is reported **after** all fees and expenses. **Past performance is not a reliable indicator of future returns.** Inception date 28th September 2022.
** Index is the S&P/ASX Small Ordinaries Accumulation Index in New Zealand Dollars.

Fund Review

August reporting was below our expectation. Our stock picking was generally good. However, portfolio management wasn't. In short, a couple of our larger positions didn't perform. We've taken action, either cutting or significantly reducing positions which didn't perform. This has allowed us to add a number of new companies with exciting outlooks.

Industrial companies sold off sharply toward the end of August as higher inflation stoked expectations for interest hikes. Conversely, resource companies rallied underpinning strong Index performance.

The Fund finished up 3.7%, underperforming the Index which finished up 6.6%. In nearly four years since inception, the Founders' Fund's annualised performance is 25.8% vs the Index of 12.1%.

Contributor

One company which contributed positively to performance was **Lycopodium (ASX:LYL)**. LYL is a leading engineering business servicing the resource sector globally. In February, LYL sold off after it lowered FY26 expectations as projects pushed to the right. Our thesis was that the FY26 miss was a timing issue and that the market was significantly underestimating the tailwinds for LYL into FY27. This played out in August. LYL re-rated after it delivered guidance for FY27 which was 27% ahead of market expectations. Importantly, the number of studies, a key leading indicator, also doubled year on year, providing confidence in continued growth in FY28. Following a strong run, we've taken profits, re-allocating the proceeds into new names.

Detractor

One company which detracted from performance in August was **Generation Development Group (ASX:GDG)**. GDG delivered a solid FY26 result with both revenue and earnings up 23% year on year. However, it's not the result, but the outlook which matters. GDG sold off sharply due to the FY27 outlook with operating cost guidance above the market's expectations, coupled with a sizeable step up in capex. We anticipated additional investment to grow, but we underestimated the level of catch-up investment required in the business. The scale of the opportunity ahead of GDG hasn't diminished. However, the time to capture this has shifted to FY28/FY29. The long term is a series of short terms. History has taught us that investment periods typically cost more and take longer. Given the large number of companies with significant upside over the next six months, we took the decision to re-allocate capital to more compelling opportunities.

Outlook

Given the depressed level of valuations, we believe many of our companies are poised for strong share price performance over the next six months. We look forward to reporting on our performance next month.

Select Holdings

1. GR Engineering Services
2. Shape Australia Corporation
3. Zip Co

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Fact Sheet

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The Investment Opportunity

Discovery was established with one mission: outstanding performance. Mark and Chris believe there's three foundations for success:

Focus: one fund, one focus. Targeting 20 of the best companies in Australasia, delivered in one nimble, limited capacity fund.

Expertise: Mark and Chris are experts in Australasian equities. Discovery leverages over 20 years combined experience and the competitive drive of two founders to outperform.

Alignment: Mark and Chris have virtually their entire liquid networth invested in the Founders' Fund.

The Manager

Discovery Funds Management is a performance driven boutique investment management firm specialising in investing in high calibre companies for sophisticated investors. Discovery was launched in September 2022 and is wholly owned by Mark and Chris.

Our Approach

High Conviction: targeting 20 of the best companies in Australasia.

Active Manager: benchmark unaware.

Deep Fundamental Research: mosaic approach incorporating independent company sources, industry experts, feedback from customers and base rates derived from local and international competitors to generate unique insights.

Rigorous Risk Management: disciplined framework designed to minimise drawdowns and protect capital.

Limited Capacity: $300m close to new investors.

MANAGER	Discovery Funds Management Limited

FUND TYPE	Wholesale (unregistered) PIE unit trust
STRATEGY	Long only concentrated portfolio of companies listed on the ASX/NZX
STOCK HOLDINGS	Target 20 holdings
STOCK LIMIT	10% at cost
CASH HOLDING	Generally, no more than 20%
APPLICATIONS	Minimum $250,000 (unless otherwise agreed)
BENCHMARK	S&P/ASX Small Ordinaries Accumulation Index (NZD)
MANAGEMENT FEE	1.2% per annum (excluding GST) on the net asset value of the fund
PERFORMANCE FEE	20% (excluding GST) of the total return of the fund in excess of the Benchmark during a six month performance period and provided any underperformance has been recovered (high water mark)
UNIT PRICING	Daily in NZD
WITHDRAWALS	10 Business Days
AUDITOR FOR THE FUND	PricewaterhouseCoopers
LAWYER	Chapman Tripp
TRUSTEE	Public Trust
CUSTODY, REGISTRY AND FUND ADMIN	Adminis

Enquire about investing today

Email our Team

Investment enquiries can be made online via our website at www.discoveryfunds.co.nz or by contacting the team at info@discoveryfunds.co.nz or phone +64 22 192 2332

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